

**Proposal of The Executive Committee to Secure Management
Leadership for United Medical Center
LaRuby May, Chairwoman
November 20, 2017**

Good Morning Board members. Allow me to begin by thanking each of you for adjusting your schedules to attend this important meeting where we address the future direction for the United Medical Center, Not-for-Profit Corporation (UMC).

As you are aware, on November 7, 2017, the Council, by a vote of 7-6, terminated the Veritas contract that the UMC Board of Directors (Board) unanimously approved in February 2016 and later reinforced with a statement of support that I shared with the Council on the day that the disapproval resolution was formally considered.

Thus, effective December 1, 2017, this disapproval action proscribes the Board from executing the first option year of the Veritas contract which was valued at \$3.6 million with additional allowances for employee expenses that averaged just over \$8,000 per month in the first year of the contract.

Of course, this also means that unless this Board acts in a timely fashion, there will be no management leadership guiding the activities of the hospital after November 30, 2017.

Clearly, such a development would militate against our efforts to effectively discharge our stewardship and fiduciary responsibilities for UMC while placing the Board at unmistakable odds with contemporary operational standards of the Joint Commission. Among other requirements, these standards contemplate that hospitals will, at all times, employ a chief executive officer (CEO) to manage and direct the medical and administrative activities of acute care facilities.

Accordingly, we must act today to approve a transition plan that ensures the continuity of operations for UMC, while preserving access to the hospital for the residents of Wards 7 and 8.

Objectives of The UMC Transition

Recognizing the challenges that are inextricably linked to the Council's disapproval of the Veritas contract, I convened UMC's Executive Committee and charged its members with the task of developing a transition plan for the

consideration of the full Board. I asked that their deliberations -- which took place almost nightly in the aftermath of the vote to disapprove the contract -- be guided by the following key goals:

- Preserve the continuity of hospital operations immediately following November 30, 2017;
- Build upon and, where possible, complete the hospital stabilization activities already underway by securing a management team for the balance of FY2018; and,
- Execute a long-term plan to align hospital operations with the District plans to build a new acute care facility in Ward 8 while sustaining a level of operations necessary to drive patient quality and safety.

Preserving Continuity. There are many clinical, finance, regulatory, and building services issues which remain time sensitive, are critical to the operation of UMC and, have not yet been fully executed. Failure to advance Veritas' important work on these projects will unnecessarily disrupt and degrade hospital operations, in the process weakening this Board's collective capacity to faithfully govern and direct the management of UMC.

Some, but not all the projects which cannot be responsibly delayed are listed below:

- Develop a reforecast for the FY2018 budget to reflect recent and unanticipated declines in the hospital's census;
- Finalize the price proposal for the emergency department and inpatient services with the George Washington Medical Faculty Associates (GWMFA);
- Before the contract expires, execute a procurement for intensive care operations in two months that aligns the operator for this service with the new vendor for the emergency department and inpatient services;
- Negotiate an agreement with a Behavioral Health provider to replace departing physicians from the Psychiatric Institute of Washington (PIW) while a new procurement is implemented for the long-term delivery of these services;
- Ensure the completion of electrical system repairs to replace the current system which is significantly past its useful life causing hospital brown out and outages.

- Complete the Emergency Department Airflow project – a requirement of GWMFA; and
- Given the chief medical officer's recent and unconfirmed public allegations of alleged fraud with respect to billing and patient admissions, develop a baseline compliance report to demonstrate the hospital's due diligence in these areas.

Recommendation: To preserve continuity of operations, the Board of the United Medical Center should approve a month-to-month contract for up to 60 days with Veritas. In addition to the day-to-day management of the hospital, this letter contract should identify each task for which the operator will be responsible, distinguishing those which are to be completed within 60 days from those in which progress towards completion is expected.

Securing Management Team for FY2018. With the disapproval of the Veritas contract this fiscal year, the executive committee considered the available options for securing a management team for the balance of FY2018. We contemplated the feasibility of recommending that the Board execute a national search to recruit and hire a CEO as a permanent employee of the hospital during the planned two-month transition period for Veritas. Once hired, that CEO would be responsible for building out the entire C-Suite with a team of talented executives, capable of managing the challenges of a hospital that is under some fiscal and operational stress.

The committee rejected this approach for three reasons. First, we were less than sanguine about the prospects that an experienced and capable CEO could be identified and hired in the condensed transition period faced by the Board.

Second, even if an expedited national search could be successfully executed, there are eight positions in the C-Suite that report to the CEO. The committee concluded that the weighty demands of assessing the existing team and establishing a staffing plan while simultaneously wrestling with the management demands of UMC made this an imprudent path.

Third, the committee believes this hospital presents a unique set of challenges that extend beyond day-to-day operations. UMC has deeply-rooted problems that defy easy solutions. A limited market position that has been further eroded by unfavorable media reports, looming and significant financial challenges, persistent and longstanding operational problems, and the need to prepare for the eventual

transition to a new hospital require the Board to engage a firm that is equipped to address these multiple issues while managing the hospital's daily operations.

As with Veritas, this firm would assume operational responsibility for UMC, bringing with it an experienced team of senior-level executives who possess a demonstrated track record of success working with similarly situated urban hospitals. The vendor will be expected to develop clinical, operational and financial metrics benchmarked against successful peer institutions which the Board can use to track and measure performance.

Recommendation. The Board should require that a procurement be executed to identify and bring in an operator for the remainder of FY2018 to both manage the hospital and pursue all necessary clinical and process improvements.

Long-Term UMC Management Plan. Should the Board accept the recommendation to hire a turnaround firm for the balance of FY2018, the question regarding the long-term direction of this hospital remains. This is especially important considering the District's plans to build a new hospital in Ward 8 to replace UMC. Therefore, during FY2018, the chosen firm should also be directed to develop a strategic plan for not only managing current and future hospital operations but also aligning actions at UMC over the next five years with the planned transition to the new facility.

As Mayor Bowser has indicated plans to announce the partner for the new facility in FY2018, the Board will have the opportunity to revisit the question of who its operator should be for the final years of UMC's existence and, if necessary, select a firm for subsequent years that has a meaningful nexus to the partner selected by the District to operate the new hospital. Such an approach would allow the turnaround team to work with the new partner to tailor UMC's physician investment and service development decisions to the goals established for the new hospital.

Recommendation: Once the District selects a partner for the new hospital, the Board should initiate a procurement to secure the services of an operator that is uniquely positioned to both manage UMC while working to align hospital operations with the future plans of the partner for building an integrated health system for Wards 7 and 8.

Closing Remarks

In closing, I think we all would agree that the events of the past few months have proved quite challenging for the hospital, this Board, and the residents who rely upon UMC for health care services that are so desperately needed.

We have, for certain, reached an inflexion point in the operation of UMC that this Board should creatively and aggressively exploit with bold proposals to shift the operations and fortunes of this hospital. The transition plan proposed by the executive committee has the potential to wrestle from the recent and difficult experiences of UMC, the salutary benefits of process improvements, enhanced patient care, and strategic alignment with a larger plan for an integrated health care system in Wards 7 and 8.

However, as you will hear from the Chief Financial Officer today, there are funding needs implicit in this proposal that cannot be satisfied with the existing revenue base of the hospital.

Further complicating our challenge, the persistent need to manage the shortage of nurse labor with overtime is but one factor that has slowly drained the cash reserves for this hospital.

So, while we can pay for the replacement firm for Veritas with the residual funds provided by the Department of Health Care Finance for an operator in FY2018, the Board will soon receive proposals from the current operator to revamp each of the hospital's major medical service departments which are not accounted for in this year's operating budget.

Our goal should not be to limp along until this hospital is replaced with a new facility that will be embedded in a broader system of care. Rather we should leverage the vision and promises of those who fund health care in this city to secure the resources required to appropriately operate this acute care hospital in 2018 through the city's planned transition to a new hospital in the next four of five years.

I urge you to vote yes on this proposal from the executive committee as the next step in the process to reform the operations of UMC.